

CHARITABLE CHATTER

The Department of Charitable Gaming Newsletter

Commonwealth of Kentucky
Ernie Fletcher, Governor

Public Protection & Regulation Cabinet
Brad Cowgill, Acting Secretary

Department of Charitable Gaming Executive Staff

John Winstead, Commissioner
Carla Arnold, Deputy Commissioner
Marty Hammons, Staff Assistant
Chris Stallings, Staff Attorney

Leah R. Cooper, Assistant Director of Licensing & Compliance
Ed Sobolewski, Assistant Director of Enforcement



*From the
Department of Charitable Gaming*



QUARTERLY REPORTS MUST BE POSTMARKED BY January 30, 2004



COMMISSIONER'S CORNER



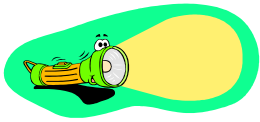
The Department of Charitable Gaming is pleased to announce we had a total response rate of 56% from the surveys we sent to all of our licensees following the charitable gaming conference. Of the 854 surveys sent, 476 were received by the Department; 405 organizations, 37 facilities, 23 Distributors, and 11 manufacturers participated in the survey. The survey showed over 90% of our licensees are pleased with the services the Department is providing. It also showed our licensees prefer to have the annual conference held on Thursday/Friday instead of Friday/Saturday. There were numerous recommendations from our licensees included in the survey. Some of these are:

- Better define requirements and rules
- Remove door prizes from bingo payout
- Remove progressive bingo games from bingo payout
- Remove pulltab prize limits

If you would like to review all of the survey results, go to dcg.ppr.ky.gov and click on survey results.

On November 21st, the Department staff testified before the Joint Interim Licensing and Occupations Committee of the State Legislature. The Department testified on behalf of its licensees and expressed your concerns and recommendations to the members of the committee and the results of the surveys. We continue to prepare for a legislative package for the upcoming 2004 legislative session. However, due to an administration change, we are waiting for approval from higher authority to proceed with our legislative package.

The Department would like to thank all of our licensees who participated in our 2003 surveys. Your input is very much appreciated!!!!



STAFF SPOTLIGHT



Administrative Specialist III

Cassie Walker is an Administrative Specialist III in the Audit Branch - Division of Enforcement, where she has been employed for the last 4 years. Cassie is responsible for all administrative duties within the audit branch. Prior to working for the Department, Cassie was a sales representative for a cellular phone company.

Cassie lives in Lawrenceburg with her 6 year old son, Tanner.

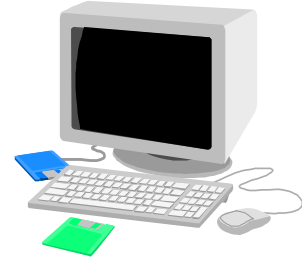


Branch Manager

Charles Brock, Audit Manager of the Department of Charitable Gaming, has been with State Government for 13 years and with the department for the last 3 years. Charles is a graduate of the University of Kentucky, where he majored in Accounting and Economics and is a Certified Public Accountant. Charles is a veteran of the US Army where he served 3 years from 1975 until 1978. Charles currently resides in Lexington with his wife Teresa.

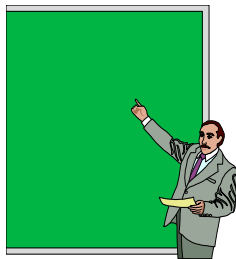
Charles enjoys working at the Department of Charitable Gaming. He feels charitable fund raising is very important in today's economy. He believes anything he can do to contribute to the vitality of the fundraising effort is helping charities work toward their charitable purpose and meeting their fundraising goals.

From the DEG IT Staff



Keep an eye on the Department's website for important information. New updates are always posted right on the main page for easy accessibility. Often these updates are clickable links that will take you to another page that goes into further detail about the item.

We try our best to let everyone know about upcoming events, new legislation, as well as regulation changes. Be sure to check the website often to stay informed!



TRAINING AVAILABLE!!!

Don't forget that training is available the first Tuesday of every month at the Department in Frankfort, KY beginning at 9:30 a.m. in our conference room. Please call and let us know when you can attend!! If you have a group of twenty (20) or more individuals in your area interested in the training, we will bring the training to you! Please call us at 502-573-5528 or 1-800-729-5672 to make those arrangements. We look forward to hearing from you!!!!



QUARTERLY REPORTING

As many of you know, we currently only have one employee in the accounting section. The auditors have pitched in to help in the processing of the quarterly reports. They have noticed several mistakes that many groups make. They are listed below. If you have any questions, please do not hesitate to contact Julie Anglin in the accounting branch or Charles Brock in the audit branch.

- SIGN your quarterly report. It is also a good idea to keep a copy for your records.
- Make sure all the attachments are complete and are ATTACHED. Please complete the Quarterly Report form. Do NOT attach computer generated check registers and/or spreadsheets, or session records, or pull tab sheets.
- File a report even if you did not game in the quarter. Please complete any appropriate attachments. Put 0's in the parts of the form that do not apply.
- DEDUCT sales tax paid on gaming supplies on Line 13 on page 1.
- Make sure that the numbers on the attachments match the numbers on page 1. For example, if you list checks for rent totaling \$3,000 on Attachment A, put \$3,000 in Line 4 of Part 2 on Page 1.
- Make sure to include the account number to which you made a transfer on Attachment E.
- Pay for your office supplies (paper clips, rubberbands, pens, etc.) out of your general account even if these supplies were used at charitable gaming.
- Write separate checks for rent and concessions, even if you pay the facility for both. Record these items in the appropriate spot on Page 1.
- Do not write the facility for a check for "rent and security" or "rent and janitorial." This should be included in "rent." Only write a separate check for "security" or "janitorial" if you pay a separate person.
- Door prizes should NOT be listed on Line 12 but MUST be listed on Line 16 on page 1.
- Excise taxes paid MUST be included on Line 12 and MUST be subtracted on Line 14 on page 1.



Purchased Prize vs. ***Promotional Giveaway***



I would like to take this opportunity to discuss the reporting differences between a purchased prize and a promotional give-away. A purchased prize is any prize that would be given away as a Bingo or Pulltab prize. Since this is part of your payouts, the amounts paid for a purchased prize will be deducted to calculate your adjusted gross receipts. Any amounts paid for a purchased prize should not be included in the allowable expenses used in your 40% calculation. But even though a purchased prize does not count towards your 40% calculation, it must be paid for with a check drawn on the gaming account and listed on the Attachment A to the quarterly report. If a purchased prize is a bingo prize, then the fair market value of that prize will be included as part of the \$5,000.00 bingo payout limit.

A promotional give-away is an item that would be given out to each gaming patron at a particular session. It could be a dauber, hat, T-shirt, other type of merchandise, or some type of food item, or about anything else. But it must be given to each and every patron that comes through the door. Any kind of selection process to limit the give-away to particular patrons could make it a door-prize. Door-prizes have their own rules and will be discussed in a future newsletter. The cost of the promotional give-away items is an advertising expense. A promotional give-away will have no affect on the payout limit. This is an allowable gaming expense and is one that must be used in the 40% calculation. It must also be paid by a check from the gaming account.

The check must also be listed on Attachment A to the quarterly report, and the total of this expense category must be listed on the front page of the quarterly report in Part 2, Line 7. If you have any questions on this sometimes confusing subject, feel free to call us at the Department of Charitable Gaming.

Charles E. Brock CPA



RUMOR MILL:

FALSE

The “40% rule” affects more than half of all charities.

TRUE

Actually, only a small percentage of licensees are affected by this retention requirement. In 2001, only 5% of licensees were suspended and in 2002, that number stayed constant. The percentage of charities on some type of probation actually dropped in 2002 from 7% to 6%. Please visit our website for more detailed information.

	TOTAL LICENSEES	39.9% - 35% 6 Month Probation - Submit Acceptable Financial Plan	34.9% 30.0% 12 Month Probation - Submit Acceptable Financial Plan Subject to DCG conducting 6 Month Review of Gaming Activities	29.9% - 25.0% 12 Month Probation - Submit Acceptable Financial Plan Subject to DCG conducting Quarterly Review of Gaming Activities - Participate in Mandatory Training	Below 25% 1 YEAR SUSPENSION OF LICENSE	Below 40% (2) CONSECUTIVE YEARS 1 YEAR SUSPENSION OF LICENSE	TOTAL LICENSEES PENALIZED
2001	797	28	15	10	15	19	87
2002	790	32	10	9	8	28	87